

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lakefield Township	County Saginaw County
Fiscal Year End March 31, 2006	Opinion Date June 27, 2006	Date Audit Report Submitted to Sate August 24, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|--------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number 989-793-9830	
Street Address 3023 Davenport		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Mari McKenzie	License Number 10725

Lakefield Township
Saginaw County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2006

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Lakefield Township
List of Elected and Appointed Officials
March 31, 2006

Township Board

Terry Crevia – Supervisor

Barbara Reist – Clerk

Mary Lou Fischer – Treasurer

Charles Shebester – Trustee

Donald Rohn – Trustee

Independent Auditors' Report

To the Members of the Township Board
Lakefield Township
Merrill, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of Lakefield Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Lakefield Township as of March 31, 2006 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township Board has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosure*, as of April 1, 2005.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lakefield Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

June 27, 2006
Saginaw, Michigan

Lakefield Township
Statement of Net Assets
March 31, 2006

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 532,285
Receivables	
Taxes	12,244
Accrued interest and other	5,884
Due from other units of government	17,889
Capital assets not being depreciated	15,600
Capital assets, net of accumulated depreciation	<u>45,752</u>
 Total assets	 <u>629,654</u>
 Liabilities	
Accounts payable	8,230
Due to other units of government	<u>4,495</u>
 Total liabilities	 <u>12,725</u>
 Net Assets	
Invested in capital assets, net of related debt	61,352
Restricted for:	
Trash collection	39,464
Unrestricted	<u>516,113</u>
 Total net assets	 <u>\$ 616,929</u>

See Accompanying Notes to Financial Statements

Lakefield Township
Statement of Activities
For the Year Ended March 31, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Operating	Capital	Primary
	<u>Expenses</u>	<u>Charges for</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Governmental</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 80,493	\$ 2,333	\$ -	\$ -	\$ (78,160)
Public safety	63,451	5,308	-	-	(58,143)
Public works	131,114	41,344	-	-	(89,770)
Health and welfare	316	-	-	-	(316)
Community and economic development	3,402	-	-	-	(3,402)
Recreation and culture	<u>7,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,504)</u>
Total primary government	<u>\$ 286,280</u>	<u>\$ 48,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(237,295)</u>
General revenues					
Property taxes					141,632
State shared revenue					78,316
Unrestricted investment earnings					11,893
Miscellaneous					<u>4,016</u>
Total general revenues					<u>235,857</u>
Change in net assets					(1,438)
Net assets - beginning of year					<u>618,367</u>
Net assets - end of year					<u>\$ 616,929</u>

See Accompanying Notes to Financial Statements

Lakefield Township
Governmental Funds
Balance Sheet
March 31, 2006

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 532,285
Receivables	
Taxes	12,244
Accrued interest and other	5,884
Due from other units of government	<u>17,889</u>
 Total assets	 <u><u>\$ 568,302</u></u>
Liabilities	
Accounts payable	\$ 8,230
Due to other units of government	4,495
Deferred revenue	<u>5,601</u>
 Total liabilities	 <u>18,326</u>
Fund Balances	
Reserved for:	
Trash collection	39,464
Unreserved	
Designated for:	
Cemetery care	80,362
Unreserved	<u>430,150</u>
 Total fund balances	 <u>549,976</u>
 Total liabilities and fund balances	 <u><u>\$ 568,302</u></u>

See Accompanying Notes to Financial Statements

Lakefield Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2006

Total fund balances for governmental funds	\$ 549,976
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	61,352
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>5,601</u>
Net assets of governmental activities	<u>\$ 616,929</u>

Lakefield Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2006

	<u>General</u>
Revenues	
Taxes	\$ 141,632
Licenses and permits	5,308
State revenue sharing	78,381
Other state grants	2,044
Charges for services	39,900
Interest income	11,893
Rental income	1,733
Other revenue	<u>4,016</u>
 Total revenues	 <u>284,907</u>
 Expenditures	
Current	
General government	74,383
Public safety	63,451
Public works	131,114
Health and welfare	316
Community and economic development	3,402
Recreation and culture	7,504
Other functions	<u>3,808</u>
 Total expenditures	 <u>283,978</u>
 Net change in fund balance	 929
 Fund balance - beginning of year	 <u>549,047</u>
 Fund balance - end of year	 <u>\$ 549,976</u>

See Accompanying Notes to Financial Statements

Lakefield Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net change in fund balances - Total governmental funds	\$ 929
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(3,583)
Capital outlay	1,281
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
State shared revenue	<u>(65)</u>
Change in net assets of governmental activities	<u>\$ (1,438)</u>

Lakefield Township
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Lakefield Township became a Township in 1875 and is located in Saginaw County. Lakefield Township is governed by an elected five-member Board.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Lakefield Township
Notes to Financial Statements
March 31, 2006

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following:

Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals. At the end of the year the Agency Fund had no assets or liabilities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing

arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the government totaled \$22,848,757, on which ad valorem taxes consisted of 0.9500 mills for operating purposes. This resulted in \$21,701 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Lakefield Township
Notes to Financial Statements
March 31, 2006

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

Accounting and reporting change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. Lakefield Township has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Township has elected to implement both the general provisions of the statement and the prospective reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Capital assets in the governmental activities column of the statement of net assets were not previously reported.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of year end, the government had the following deposit that required disclosure:

Deposit	Fair Value	Maturities	Rating	Rating Organization
FHLB	<u>\$ 73,071</u>	Daily	Aaa	Moody's

Lakefield Township

Notes to Financial Statements

March 31, 2006

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$155,290 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

All receivables are expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to

liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
State shared revenue	<u>\$ 5,601</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 15,600	\$ -	\$ -	\$ 15,600
Capital assets being depreciated				
Land improvements	13,400	-	-	13,400
Buildings, additions and improvements	78,651	-	-	78,651
Machinery and equipment	9,085	1,281	-	10,366
Total capital assets being depreciated	101,136	1,281	-	102,417
Less accumulated depreciation for				
Land improvements	223	536	-	759
Buildings, additions and improvements	44,014	2,652	-	46,666
Machinery and equipment	8,845	395	-	9,240
Total accumulated depreciation	53,082	3,583	-	56,665
Net capital assets being depreciated	48,054	(2,302)	-	45,752
Governmental activities capital assets, net	\$ 63,654	\$ (2,302)	\$ -	\$ 61,352

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	<u>\$ 3,583</u>

Lakefield Township
Notes to Financial Statements
March 31, 2006

NOTE 6 - RELATED PARTY

Lakefield Township has an intergovernmental service agreement with the Jonesfield - Lakefield Fire District. The Township levies and collects property taxes on behalf of the Fire District. Those are included in the revenues and expenditures of the Township. On July 26, 2001, Jonesfield Township borrowed \$225,000 to purchase a fire truck for the District. A portion of the fire district property tax levy will be used to make payments on the note. The balance of the note as of March 31, 2006 is \$165,000. In the current year \$58,787 was collected in property taxes and paid out.

NOTE 7 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Lakefield Township contributes to the Lakefield Township Group Pension Plan which is a defined contribution plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participants'

benefits that may be allocated to such participant's account.

Contributions made by an employee and Township vest immediately. An employee who leaves employment of the Township is entitled to contributions made plus any interest earned. Certain employees of the Township are eligible to participate. The Township is required to contribute 20% of an employee's base salary. The Township's current year covered payroll and its total current year payroll for all employees amounted to \$23,330 and \$36,485, respectively. During the year the Township's required and actual contributions amounted to \$4,666. Employees made no contributions to the Plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

The Plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

NOTE 9 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Lakefield Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 180,728	\$ 180,728	\$ 133,410	\$ (47,318)
Administration fee	7,000	7,000	8,222	1,222
Licenses and permits	3,020	3,020	5,308	2,288
State revenue sharing	70,000	70,000	78,381	8,381
State grants	200	200	2,044	1,844
Charges for services	39,500	39,500	39,900	400
Interest income	2,400	2,400	11,893	9,493
Rental income	1,500	1,500	1,733	233
Other revenue	102	102	4,016	3,914
	<u>304,450</u>	<u>304,450</u>	<u>284,907</u>	<u>(19,543)</u>
Total revenues				
Expenditures				
General government				
Township board	5,580	4,023	3,768	(255)
Supervisor	7,789	7,825	7,767	(58)
Clerk	10,489	10,938	10,880	(58)
Audit	200	200	-	(200)
Board of review	1,312	1,262	1,200	(62)
Treasurer	14,410	14,378	14,293	(85)
Assessor	15,412	19,337	21,772	2,435
Elections	309	309	297	(12)
Buildings and grounds	11,161	9,292	6,370	(2,922)
Attorney	500	1,012	1,012	-
Cemetery	5,063	7,080	7,024	(56)
	<u>72,225</u>	<u>75,656</u>	<u>74,383</u>	<u>(1,273)</u>
Total general government				

Lakefield Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public safety				
Fire department	\$ 63,074	\$ 63,074	\$ 58,907	\$ (4,167)
Building inspection department	5,104	4,777	4,544	(233)
Total public safety	<u>68,178</u>	<u>67,851</u>	<u>63,451</u>	<u>(4,400)</u>
Public works				
Drains	16,184	16,184	16,184	-
Highways, streets and bridges	92,233	92,439	76,057	(16,382)
Refuse collection	<u>39,000</u>	<u>39,000</u>	<u>38,873</u>	<u>(127)</u>
Total public works	<u>147,417</u>	<u>147,623</u>	<u>131,114</u>	<u>(16,509)</u>
Health and welfare				
Ambulance	<u>316</u>	<u>316</u>	<u>316</u>	<u>-</u>
Community and economic development				
Planning	2,592	2,493	1,826	(667)
Zoning	<u>1,615</u>	<u>1,615</u>	<u>1,576</u>	<u>(39)</u>
Total community and economic development	<u>4,207</u>	<u>4,108</u>	<u>3,402</u>	<u>(706)</u>

Lakefield Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Recreation and culture				
Parks and recreation	\$ 1,000	\$ 2,000	\$ 1,000	\$ (1,000)
Library	<u>6,864</u>	<u>6,864</u>	<u>6,504</u>	<u>(360)</u>
Total recreation and culture	<u>7,864</u>	<u>8,864</u>	<u>7,504</u>	<u>(1,360)</u>
Other functions				
Insurance and bonds	3,219	3,219	3,808	589
Unallocated employee fringe benefits	1,024	1,024	-	(1,024)
Contingency	<u>8,000</u>	<u>3,859</u>	<u>-</u>	<u>(3,859)</u>
Total other functions	<u>12,243</u>	<u>8,102</u>	<u>3,808</u>	<u>(4,294)</u>
Total expenditures	<u>312,450</u>	<u>312,520</u>	<u>283,978</u>	<u>(28,542)</u>
Excess (deficiency) of revenues over expenditures	(8,000)	(8,070)	929	8,999
Fund balance - beginning of year	<u>549,047</u>	<u>549,047</u>	<u>549,047</u>	<u>-</u>
Fund balance - end of year	<u>\$ 541,047</u>	<u>\$ 540,977</u>	<u>\$ 549,976</u>	<u>\$ 8,999</u>

June 27, 2006

To the Members of the Township Board
Lakefield Township
Merrill, Michigan

In planning and performing our audit of the financial statements of Lakefield Township for the year ended March 31, 2006, we considered the Township's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 27, 2006, on the financial statements of the Township.

The following is a listing of the comments from the previous audit. Their status for the current year follows.

General Ledger

We believe that, at the present, the Township does not maintain an adequate set of financial records. The general ledger is manual and not balanced on a monthly basis. Once again, the ledger did not balance and we had to search the ledger for items that were not posted, incorrectly added, or posted twice. The system as it is being used does not provide a check and balance to ascertain that all transactions have been recorded and the account totals have been properly calculated.

During fiscal year 2006 the Township purchased Pontom software to record the activity of the Township. The software provides for a double entry accounting system which keeps the general ledger balanced at all times. We recommend continual use of this general ledger software and for the Treasurer and Clerk to receive the necessary training to understand all facets of the software.

Comments for the current year:

Disaster Recovery

We noted that the general ledger activity posted in Pontom has only been backed up once since inception. If something should happen to the Township building all financial records could be completely lost.

We recommend that at a minimum, a backup be performed on a monthly basis and be stored in a fire proof safe at the Township Hall or be stored off site in a secure location. This will provide an extra level of security for the financial data and prevent complete data loss.

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June 27, 2006

To the Members of the Township Board
Lakefield Township
Merrill, Michigan

Journal Entries

In performing test of controls of journal entries we noted that supporting documentation can be improved. We recommend supporting documentation be attached to substantiate all journal entries made. This will provide the necessary audit trail for all entries made to the Township's general ledger system.

This report is intended solely for the use of management and should not be used for any other purpose.

We appreciate the opportunity to provide services to the Township. Should you have any questions on the above, please feel free to contact us.

Very truly yours,

YEO & YEO, P.C.
CPAs and Business Consultants



Michael Gensch